

KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 02-32

THIRD SET OF INFORMATION REQUESTS OF THE  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY TO  
KEYSPAN ENERGY DELIVERY NEW ENGLAND

DTE-3-1

Respondent: Robert Ponticelli, Jr.

- Q. Referring to the lines 9 through 21, page 78 of the transcript from the evidentiary hearing of June 12, and the testimony of Robert Ponticelli, please identify all the costs the Company would incur to modify the CRIS billing system that would only allow proration of customer bills that are outside the 26 to 34 day billing cycle. Please identify and itemize the costs. Further, please provide the time frame necessary to program the above change. Please include all assumptions, work papers and documentation.
- A. The CRIS system cannot be programmed differently for Massachusetts customers without a significant time delay in the system conversion and the expenditure of substantial incremental costs that would total approximately \$6.7 million (over and above the \$30 million expended to date) to implement the programming changes and to restructure the conversion effort. In addition, the need to maintain two billing methodologies going forward will undermine the Company's ability to achieve long-range efficiency and customer-service goals aimed at enhancing customer contact and Company responsiveness.

Specifically, maintaining the existing bill-calculation methodology will have the following ramifications:

- (1) The system conversion would have to be postponed for approximately six months, at a minimum, while programming changes are developed, tested and implemented. However, the conversion to CRIS during the peak-season months would not be desirable because of the high call volumes to customer-service representatives during that time of year. As described in Exhibit DTE-1-1, the July 4<sup>th</sup> holiday period was carefully chosen as the conversion period in order to minimize any adverse impact on customers. Therefore, the conversion would likely be delayed well beyond the six months that it would take to implement the changes, if the system needed to be re-programmed. Once the changes are implemented, the Company would need to rebuild and re-implement its conversion plan, which includes a series of programming, testing and training activities that are now complete in anticipation of the July 1 conversion date, but that would have to be restructured and repeated prior to a delayed system

conversion. In addition, the system conversion would also have to be postponed and recreated for New Hampshire customers;

- (2) The incremental cost for conversion activities including design, implementation and testing of the program changes would be in excess of \$5.6 million, based on an implementation date within six months. In addition, the Company would incur other costs, such as: (1) \$300,000 for the extension of the contract with Computer Associates, which provides support for the existing CSS system; (2) \$702,000 of costs associated with maintaining dual billing systems for a six-month time period; and (3) retraining costs of approximately \$120,000. Based on a six-month delay, the cost will be approximately \$6,722,000. If the implementation date were to extend beyond this six-month period, costs associated with conversion delay would be approximately \$1.1 million per month, at a minimum, exclusive of lost synergy savings.
- (3) Any delay in the conversion date would also have a negative effect on other system-enhancement projects now under development. In order to accomplish the conversion, the CRIS system has been “frozen” for the last 12 months. A delay would mean that the system must remain frozen for an indeterminate amount of time and that, as a result, all other system initiatives must be sidelined. For example, a delay would jeopardize the Company’s ability to meet a deadline imposed by the New York Public Service Commission in relation to the implementation of EDI rules;
- (4) A delay in the conversion date would also have a significant effect on New England customer-service representatives who have been trained in preparation for the conversion, who have visited the New York call center and who have geared up for the transition. A delay would represent a major setback in the work plans and expectations of these employees. The cooperation and personal involvement of these employees is important to the conversion effort because these individuals represent the “front-line” customer service representatives who are key to the successful implementation of the new billing system.

As indicated in this proceeding, the conversion that is planned for July 1, 2002 is designed to convert approximately 850,000 customer accounts in Massachusetts and New Hampshire to the CRIS system, which is currently used in New York City to serve approximately 1.2 million gas customers. CRIS was selected as the appropriate platform for a number of reasons, including the fact that system architecture is technologically superior to that of CSS currently serving New England customers, encompasses a higher degree of functionality and is generally more capable of supporting future changes in processes and technologies (Tr. 21-23). Accordingly, KeySpan determined that the conversion to CRIS would provide benefits to both the Company and its customers in the short and long term. In particular, the record shows that the Company has invested approximately \$30 million to date in order to convert New England

customers to CRIS and that annual savings are estimated to be approximately \$5 million per year (Tr. at 32).

A key driver in the Company's decision to make this investment was the consideration that the full-scale conversion to CRIS would greatly facilitate the Company's efforts to standardize and streamline operations across its combined service territory, while also providing a platform for a more focused and interactive customer-service approach. Therefore, in addition to the costs that would be imposed as a result of the delay and reprogramming of the system, maintaining a customized billing methodology for Massachusetts customers will undermine the Company's merger-related objectives of enhanced efficiency and improved customer service.

For example, it is the Company's objective to achieve the capability to handle customer-service calls on a standardized basis from any call center in the service territory. Standardized billing methodologies enable more efficient response times to customers during high-call volume period or one call center can be re-routed to another call center. If distinct billing methodologies are maintained the Company's ability to achieve this objective will be impaired. To accommodate the disparate methodologies, the Company will need to maintain customized training modules for billing and customer account activities. In addition, it will be more difficult for the Company to pool resources that may be available in a particular service area. For instance, the New York call center actively recruits and utilizes bilingual customer-service representatives, and therefore, is able to offer personal service to a broad range of customers who would otherwise have no ability to communicate directly with the Company. In Massachusetts, the Company must rely on a third-party vendor such as "Language Line," which is a translation service provided by AT&T, in order to facilitate conversations between customers and customer-service representatives. If the call-center operations can be standardized, and the capability to switch calls between centers established, the capabilities resident in a particular area of the system will be available to serve the needs of all KeySpan customers.

Accordingly, a requirement to maintain the existing billing methodology would represent a significant setback for the Company and its customers. The Company has undertaken the investment in the system conversion in the belief and determination that the adoption of a standardized billing structure, among the other benefits available through CRIS, will ultimately enable the Company to provide better service at an efficient cost to all of its customers. As described above, maintaining separate billing methodologies will impose approximately \$6.7 million in additional costs (based on a six-month implementation period) to achieve the system conversion, and despite the significant investment that will have been made by the Company, the system conversion (when completed) will not have achieved the standardization necessary to enable future efficiency and customer-service goals. Because of the added complications associated with converting the system during the peak period, the costs of delay are likely to exceed the \$6.7 million identified above. As a result, any modification of the planned

implementation has the potential to jeopardize the conversion to CRIS, and therefore, to eliminate the customer benefits that will occur as a result of the CRIS conversion.